

RFP # S00R0400007: Review and Analysis of Multi Family Rental Property Audited Financial Statements

Questions and Answers

This list of Questions and Responses is being issued to clarify certain information contained in the above named Request for Proposals (RFP). The statements and interpretations of contract requirements, which are stated in the following questions of potential offerors, are not binding on the State, unless the State expressly amends the RFP through an addendum. Nothing in the State's responses to these questions is to be construed as agreement to or acceptance by the State of any statement or interpretation on the part of the potential offeror asking the question as to what the contract does or does not require.

Question received prior to pre-proposal meeting:

Q -1. Please provide the estimated fees for the prior year review.

A. DHCD cannot release unit pricing nor provide the exact amount paid to the incumbent. The total amount for current contract award was not to exceed \$195,000, but the scope of work for the current RFP is narrower than that in the previous solicitation and DHCD anticipates a substantially lower budget for the contract resulting from current RFP. The previous RFP included consulting work and also training sessions for our Asset Managers.

The following questions are from the pre-proposal meeting held February 22, 2010 at DHCD, Crownsville, Maryland.

The following firms attended the meeting:

Abrams, Foster, Nole & Williams
Reznick Group
Milligan & Company
F.S. Taylor & Associates
Key & Associates

DHCD was represented at the meeting by:

Jean Peterson, Procurement Officer
Eleanor Kennedy, DHCD Procurement Manager
Bill Beans, DCA Director, Multi Family Asset Management
John Enright, Deputy Director, DCA Multi Family Asset Management
Brien Boone, DHCD Fair Practice Director
Cheryl Lee, DHCD Fair Practice Office

Q-2. Who is the incumbent Contractor?

A. There is no incumbent since the contract has expired. The previous contractor was Clifton Gunderson.

Q-3. Are audits done on a form or according to GAAP?

A. The annual audited financial statements of the multi family properties are reviewed to determine if they have met requirements and have performed calculations correctly. There is a checklist and an established procedure. The checklist is Exhibit 2 in the RFP.

Q-4. In the Audit Guide (Exhibit 1) it mentions "books and records". Are we physically going to these sites and auditing their books and records?

A. No. The assignment is just the review of the annual audited financial statements.

Q-5. On the Price Proposal Form (Attachment F) we are asked to calculate a price by using the figure 30 audit reviews. Is that a true number?

A. It is a representative number but it could be more or less. There may be some audits that need to be re reviewed in order to assist our staff if they have a situation where they need guidance. 30 is a number we are using so that all bidders are basing their estimate on the same number.

Q-6. In a case where our firm might have prepared the annual audited financial statements for the project and we are not able to review them because of conflict of interest, may our MBE sub review them?

A. No. In any such close relationship, and where the sub is dependent on the prime for assignment of work and for payment for work, there is a likelihood of partiality to the prime. At the initial meetings with the Contract Manager and DHCD staff, the Contractor should identify any projects for which the firm has prepared annual audited financials, so that those could be removed from the assignment list and be assigned to our AMOs.

Q-7. Is there a certain time period when these audit reviews have to be done during the year?

A. Yes the audit reviews have to be done within 90 days after the project's fiscal year end. In some cases their year end is June 30, and in some cases it is December 31. The contractor will have 30 days from the time they receive the assignment to complete the review. Bear in mind we might not always receive the audit information from the project in a timely way, and that can make the timing more complex.

Q-8. Do we perform a risk assessment?

A. Your assignment is to review the audit within a certain time frame. This might also include calculating surplus cash in the case of our cash flow loans, and/or calculating the debt service coverage.

Q-9. Regarding the 90 day rule – how often are these on time?

A. They are peak loaded at 90 days, and we must review within 60 days; the contractor will have 30 days.

Q-10. Talk about the MBE, please.

A. Remember Attachments D-1 and D-2 must be submitted with your offer, or you will be declared non-responsive. Attachments D-3 & 4 must be submitted within 10 working days of notification of contract award. Attachments D5 & 6 record the payments to the MBE. DHCD is aggressively pursuing its MBE goals. In this case, the goal is set at 30% of the contract value. Although you do have the option to file for a waiver of the goal be aware that DHCD reviews the offeror's justification for a waiver very carefully and has rarely granted a waiver. Again, you must include the completed forms to be considered; and you must identify your MBE partner. If you have questions, please contact the Fair Practice Manager at boone@mdhousing.org. The Procurement Officer will post the Vendor List, which will include all who are known to have received the RFP, and the firms that are MBEs will be identified on the list, with their MBE certification numbers. Contact information will be there too, in case you choose to invite one of these firms to be your partner.

Q-11. Is there an audited financial statement as an exhibit?

A. No. It would have to be so heavily redacted that it would not be meaningful. Presumably you are familiar with what an annual audited financial statement should look like.

Q-12. Will these be done manually, or is there an electronic system in place?

A. You will have remote access through our document imaging program and our access database to all information you will need to complete the assignments. You should be able to do it all from your office and you should not need to come to DHCD to do the reviews.

Q-13. How can we rely on these audited statements? Shouldn't we go to the projects and review their records?

A. No. You should review the financials to determine whether in your opinion they are free of material omissions or miscalculations and whether they fairly represent the financial position of the entity. The preparer of the statements will have made a declaration in the beginning of the statement (an independent auditors report, or opinion) about using the information provided to them by the project and basing their statements on the information they have received, and doing so according to generally accepted accounting practices in the U.S.A. before the contract work begins you will meet with the Contract Manager and some staff to go over exactly what is expected.

Q-14. In the Minimum requirements it states that the contractor must have a CPA in good standing, must the subcontractor who is to perform part of the work also have a CPA in good standing?

A. We have reviewed this question and have determined that the subcontractor need not be a CPA, although they certainly may be. . The prime contractor is responsible for the work of the subcontractor; and if it is found to be inadequate we will advise them of it.

Q-15. The Audit Guide is dated 2003. Are there plans to update it, or have there been no changes?

A. Yes, we do plan to update it. There will probably be no substantive changes. Typically our requirements don't change much from year to year.

Q-16. Are the financial statements prepared by multiple firms?

A. Yes. There are many different firms doing the financial statements depending on who the project's management is using. They can be in- state or out of state; but there are many different firms.

Q-17. How is this Scope of Services different from the one that was under the old contract?

A. The old contract included billing hours for training our staff and also for consulting on audit issues and other ad hoc items.

Q-18. What would you say are the biggest challenges in this contract?

A. Probably making sure the contractor understands exactly what we need and that it needs to be done in our format. But, as stated previously, we will meet when the contract starts and hopefully avoid any issues that might be problematic by specifying exactly what is needed. Our staff members are not CPAs, but our goal is still to determine that there is no fraud, that there is good financial management, that surplus cash is identified so it can be collected and that the debt service ratio is correct.

Q-19. How long does it take, in your opinion, to do one of these reviews?

A. Depending on how complex it is it can take anywhere from three to six hours. It depends on the project and how it is set up.

Q-20. The RFP states that the Contract term is for three years. Is there any chance of renewal options after that?

A. No this contract is one that we have written for three years, with no renewal options.